

**REPORT OF THE AUDIT OF THE
HARDIN COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES**

August 24, 2004



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HARDIN COUNTY
SHERIFF'S SETTLEMENT - 2003 TAXES

August 24, 2004

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2003 Taxes for Hardin County Sheriff as of August 24, 2004. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$29,761,445 for the districts for 2003 taxes, retaining commissions of \$779,436 to operate the Sheriff's office. The Sheriff distributed taxes of \$28,970,368 to the districts for 2003 Taxes.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charles A. Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the Hardin County Sheriff's Settlement - 2003 Taxes as of August 24, 2004. This tax settlement is the responsibility of the Hardin County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Hardin County Sheriff's taxes charged, credited, and paid as of August 30, 2004, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charles A. Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 21, 2005

HARDIN COUNTY
CHARLES A. WILLIAMS, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2003 TAXES

August 24, 2004

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 3,825,272	\$ 1,187,130	\$ 15,441,594	\$ 4,507,023
Tangible Personal Property	339,334	107,452	1,381,743	1,283,602
Intangible Personal Property				495,062
Fire Protection	1,582			
Increases Through Exonerations	5,503	1,925	22,825	8,165
Omitted Taxes	2,003	562	7,652	2,381
Franchise Corporation	330,493	98,459	1,394,279	
Additional Billings	383	108	1,495	452
Road Taxes	22,905			
Oil and Gas Property Taxes	102	29	400	120
Limestone, Sand, and Mineral Reserves	700	198	2,749	823
Bank Franchises	227,716			
Penalties	27,500	8,869	110,642	38,053
Adjusted to Sheriff's Receipt	26	52	5	27
Gross Chargeable to Sheriff	<u>\$ 4,783,519</u>	<u>\$ 1,404,784</u>	<u>\$ 18,363,384</u>	<u>\$ 6,335,708</u>
<u>Credits</u>				
Exonerations	\$ 14,951	\$ 5,075	\$ 60,746	\$ 21,519
Discounts	71,709	20,669	271,236	103,384
Delinquents:				
Real Estate	55,586	19,211	223,040	65,424
Tangible Personal Property	6,578	699	8,963	7,072
Intangible Personal Property				4,213
Franchise Taxes	232	68	1,353	
Uncollected Franchise	30,005	8,918	125,299	
Total Credits	<u>\$ 179,061</u>	<u>\$ 54,640</u>	<u>\$ 690,637</u>	<u>\$ 201,612</u>

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY
 CHARLES A. WILLIAMS, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2003 TAXES
 August 24, 2004
 (Continued)

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Taxes Collected	\$ 4,604,458	\$ 1,350,144	\$ 17,672,747	\$ 6,134,096
Less: Commissions *	<u>195,977</u>	<u>57,381</u>	<u>265,091</u>	<u>260,987</u>
Taxes Due	\$ 4,408,481	\$ 1,292,763	\$ 17,407,656	\$ 5,873,109
Taxes Paid	4,406,767	1,292,279	17,400,710	5,870,612
Refunds (Current and Prior Year)	<u>1,714</u>	<u>484</u>	<u>6,946</u>	<u>2,497</u>
Due Districts				
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Commissions:

10% on \$ 10,000
 4.25% on \$ 12,078,698
 1.5% on \$ 17,672,747

The accompanying notes are an integral part of this financial statement.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENT

August 24, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 24, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

HARDIN COUNTY
NOTES TO FINANCIAL STATEMENT
August 24, 2004
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2003. Property taxes were billed to finance governmental services for the year ended June 30, 2004. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 29, 2003 through April 30, 2004.

Note 4. Interest Income

The Hardin County Sheriff earned \$30,098 as interest income on 2003 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Hardin County Sheriff collected \$129,550 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Hardin County Sheriff collected \$12,585 of advertising costs and \$6,220 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Berry, Hardin County Judge/Executive
The Honorable Charles A. Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

**Report On Internal Control Over
Financial Reporting And On Compliance And
Other Matters Based On An Audit Of The Financial Statement
Performed In Accordance With Government Auditing Standards**

We have audited the Hardin County Sheriff's Settlement - 2003 Taxes as of August 24, 2004, and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's Settlement - 2003 Taxes as of August 24, 2004 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over
Financial Reporting And On Compliance And
Other Matters Based On An Audit Of The Financial Statement
Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
January 21, 2005

